



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

DACC 212: TAXATION II

DATE: 8/5/2019

TIME: 2.00-4.00 PM

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Explain the term tax incentives, citing examples of incentives (6 marks)
- b) Explain the term export processing zone (EPZ) (6 marks)
- c) Discuss the term capital deductions as used in income tax (6 marks)
- d)
 - i) Explain the term wear and tear deductions (WTD) (6 marks)
 - ii) For the purposes of WTD, all machinery is categorized into four classes. Discuss these four classes (6 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the benefits of incentives given to export processing zone. (10 marks)
- b) What are the exemptions allowed as incentives under export processing zone? (10 marks)

QUESTION THREE (20 MARKS)

- a) Define the term business income (4 marks)
- b) State and explain what constitutes a business profit (16 marks)

QUESTION FOUR (20 MARKS)

Discuss the following terms as used in taxation:

- a) Employment income
- b) Cash payments
- c) Non cash payment

QUESTION FIVE (20 MARKS)

- a) Discuss the term medical benefits as used under income tax act (6 marks)
- b) Explain how compensation for employment termination is taxed in Kenya (14 marks)